

Message Text

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PAGE 01 HONG K 03204 270526Z

51

ACTION EA-10

INFO OCT-01 ISO-00 SAJ-01 SAM-01 OPIC-03 EB-07 COME-00

TRSE-00 OMB-01 CIEP-01 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 NIC-01 STR-04 MC-02 AGR-05 SIL-01

LAB-04 /091 W

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R 270316Z MAR 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4339

INFO USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

CINCPAC HONOLULU HI

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E.O. 11652: N/A

TAGS: ECON, EINV, CH

SUBJECT: PRC PUBLICIZES AUSTERE INVESTMENT POLICY

SUMMARY: RECENT NCNA ARTICLES CALL ATTENTION TO THE CURRENT AUSTERE CLIMATE OF INVESTMENT POLICY IN THE PRC. PORTRAYING THE THEME OF SELF-RELIANCE IN UNUSUALLY STARK TERMS, THEY CONVEY A CLEAR MESSAGE TO THE LOWER LEVELS THAT CENTER FUNDS ARE SHORT AND THAT LOCAL RESOURCES WILL HAVE TO BE USED TO THE FULLEST. SUGGESTING ONE ROUTE FOR SOME INDUSTRIAL AREAS, NCNA PUBLICIZES A SHANGHAI INDUSTRY THAT HAS RISEN TO TOPS IN THE COUNTRY BY RATIONALIZING PRODUCTION THROUGHOUT THE CITY UNDER A UNIFIED STATE PLAN. END SUMMARY.

1. IN AN ARTICLE REAFFIRMING THE PRC'S ADHERENCE TO THE POLICY OF SELF-RELIANCE, NCNA ON MARCH 20 SET FORTH
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PAGE 02 HONG K 03204 270526Z

GUIDELINES FOR INDUSTRIAL DEVELOPMENT THAT ACCURATELY

CAPTURE THE CURRENT AUSTERE CLIMATE OF PRC INVESTMENT POLICY. ALTHOUGH IT IS HARDLY A NEW THEME, SELF-RELIANCE IS NOT USUALLY PUBLICLY PORTRAYED IN SUCH STARK TERMS AS THESE: "SINCE CHINA HAS TO UNDERTAKE CONSTRUCTION ON A BASIS OF 'POVERTY AND BLANKNESS' WITH LIMITED FUNDS, EQUIPMENT, AND TECHNICAL FORCE, SHE CAN ONLY BUILD A CERTAIN NUMBER OF LARGE ENTERPRISES HIGH ON THE PRIORITY LIST." THE MESSAGE TO LOWER LEVELS IS CLEAR: CENTER FUNDS ARE SHORT; MAKE DO WITH WHAT YOU HAVE.

2. THE DISTINCTION DRAWN IS BETWEEN "LARGE ENTERPRISES" TO BE RUN BY THE "CENTRAL AUTHORITIES" AND SMALL AND MEDIUM-SIZED ENTERPRISES TO BE BUILT WITH LOCAL RESOURCES. THE FORMER REQUIRE "ENOUMOUS INVESTMENTS, GREAT QUANTITIES OF EQUIPMENT, COMPLEX TECHNOLOGIES, LONG PERIODS OF CONSTRUCTION, AND -- OFTEN -- IMPORTS. THE LATTER NEED LESS INVESTMENT, SIMPLER EQUIPMENT, AND TAKE A SHORTER TIME TO BUILD AND BEGIN PRODUCTION SOONER.

3. AS AN EXAMPLE OF THE SORT OF BIG-SMALL COOPERATIVE MIX THE CENTER IS PROMOTING, NCNA DESCRIBES THE SHANGHAI "MACHINE WORKS" INDUSTRY. IT POINTS OUT THAT "MOST OF THE MACHINERY PLANTS" IN SHANGHAI ARE SMALL AND MEDIUM-SIZED, BUT OPERATE UNDER A "UNIFIED STATE PLAN" WHICH CALLS FOR "30 PERCENT OF THE LOCAL MACHINE WORKS TO TURN OUT MAJOR EQUIPMENT OR COMPLETE MACHINES WHILE THE REST MAKE ACCESSORY PARTS OR HANDLE PROCESSING JOBS."

4. OTHER AREAS WITH LESS INDUSTRIAL ENDOWMENT THAN SHANGHAI MAY NOT FIND IT SO EASY TO APPLY THIS APPROACH. (ACCORDING TO NCNA, IT TOOK SHANGHAI "ABOUT A DOZEN YEARS" TO CLIMB TO THE TOP IN TERMS OF TOTAL OUTPUT VALUE FOR THIS INDUSTRY AND THE SUPPLY OF WHOLE SETS OF EQUIPMENT.) NEVERTHELESS, IT OFFERS SOME ATTRACTIVE ECONOMIES, PARTICULARLY IN SOLVING PROBLEMS OF SPARE PARTS AND ACCESSORIES THAT TEND TO LIMIT THE OUTPUT OF SMALLER ENTERPRISES.

5. HAVING RELATIVELY LESS FUNDS FOR INVESTMENT THIS YEAR THAN IT PLANNED, ALREADY COMMITTED TO SIZEABLE PLANT LIMITED OFFICIAL USE

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PAGE 03 HONG K 03204 270526Z

AND EQUIPMENT IMPORTS OVER THE NEXT TWO YEARS, AND FINDING ITS NON-OIL EXPORT EARNINGS FALTERING, THE CENTER IS ATTEMPTING TO FORESTALL, IF NOT CUT OFF, REQUESTS FROM LOWER LEVELS FOR INCREASED AMOUNTS OF EQUIPMENT, RAW MATERIALS, MANPOWER AND FUNDS. PERHAPS LOWER LEVELS HAVE BEEN LOOKING TOO MUCH TO THE CENTER AND STATE-OWNED INDUSTRY TO PROVIDE THEIR EQUIPMENT NEEDS. IF SO, THE CENTER IS TELLING THEM TO LAY OFF AND GO BACK

TO PRACTICING MORE SELF-RELIANCE. THE CENTER ALSO
APPEARS TO BE URGING ON THEM THE SHANGHAI MODEL AS A
MEANS TO MORE EFFICIENT USE OF EXISTING RESOURCES. ALL
IN ALL, SEVERAL RECENT NCNA ARTICLES BESPEAK AN AUSTERE
INVESTMENT CLIMATE IN WHICH LABOR AND TECHNICAL
INNOVATIONS WILL TAKE ON INCREASED IMPORTANCE IN THE
ATTEMPT TO INCREASE PRODUCTION.
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